

# Construction of student dormitories within the framework of the state order placement mechanism



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# Construction and reconstruction of dormitories

## Education sector in Kazakhstan

### Project description

As part of the implementation of the third of the five social initiatives of the Head of state in terms of improving the living conditions of students, it is necessary to provide students of Universities and colleges with **more than 75 thousand beds** by the end of 2022. The state plans to allocate **118 billion tenge for the construction of dormitories over ten years**. Next year-about 100 million tenge.

The implementation of the state program will follow the model of public-private partnership (PPP) with the participation of developers/universities and the state. It is assumed that the construction of new residential areas for students will be handled by the universities themselves in agreement with investors.

The scheme will be calculated individually for the amount of loan financing that the University will receive, taking into account the corresponding costs.

In order to reduce costs, a University, College or investor may use ready-made standard projects developed by the Committee for construction and housing and communal services of the Ministry of investment and development of the Republic of Kazakhstan.

There are no strict standards for area. One bed should be approximately 11-12 square meters. The average cost of building such dormitories is 1.3 billion tenge. The cost per square meter is 450-500 dollars.

### Mechanism for placing a state order, project features

The state reimburses investment costs to investors, and provides for the option of reimbursing costs for projects implemented **for construction** (122 MCI for every place - 338,916 tenge, for Almaty 144 MCI for every place -400,032 tenge), **for reconstruction** of the building (47 MCI for every place – 130,566 tenge). The period of implementation of these payments is 8 years, and includes an annual increase in income, taking into account inflation. Operating expenses are reimbursed during the entire period of operation of the facility. Additional "comfort conditions" of the program are the State grant-in-kind for a land plot and financial support measures - "Simple things economy" is a soft-financing with 6% per annum taking into account 9% of "DAMU" fund subsidies. The building becomes the property of the investor.

### Successful experience over the years of program implementation (2018-2019)

In General, since the implementation in 2018-2019, 34 facilities have been commissioned for 9,166 new beds, including 5,874 beds in 2019.

In the near future, the market of potential consumers is expected to grow rapidly. The number of school graduates will increase from 2021. By 2030, their number will exceed 364 thousand people, which is 68% more than the current figure.

## Kazakhstan

### Favorable investment climate

GDP of Kazakhstan is \$ 170B

25<sup>th</sup> rank in the World Bank's 2020 Doing Business Index:

- 4th in contract enforcement,
- 7th in the protection of minority investors' rights,
- 31st on the human capital development index.

The most favorable tax regime in the region (total tax and contribution rate (% of profit))

Standard corporate income tax rate 20% and VAT rate 12%

Kazakhstan – 29,4%

Russia – 46,3%

Uzbekistan– 48,2%

China – 64,9%

# The order of the input operation of the dormitories

## 1 Receiving a land plot

- **If an investor does not have a land plot, the following options for obtaining a land plot are offered:**

- to apply to the local executive bodies for information on need to build a school in a particular area of the city and the required number of student places;

- Receiving a land plot from the state is possible without participation in tenders (competitions, auctions), if a potential investor has a joint venture agreement with a Social and Entrepreneurial Corporation (SEC), which in order to implement investment projects grants land plots or the right to rent state-owned land plots:

Cooperation between the SEC and private business entities (hereinafter - the Partner) is carried out in the form of a joint venture and the transfer of land as contributions to the authorized capital (signing of constituent documents) or under a Joint Venture Agreement.

- Obtaining a land plot (*grant-in-kind*) as part of participation in local PPP projects;
- Obtaining a land plot in the form of an in-kind grant by *concluding an investment contract* in accordance with the business code.

## 2 Sources of financing

- **The following sources of funding are offered:**

- loan funds (preferential subsidy through the DAMU Fund for a period of 7 years at 6 % per annum)
- Own funds
- creating consortia (pooling funds)
- other sources (sponsorship, charitable assistance)

- **Main terms of the agreement :**

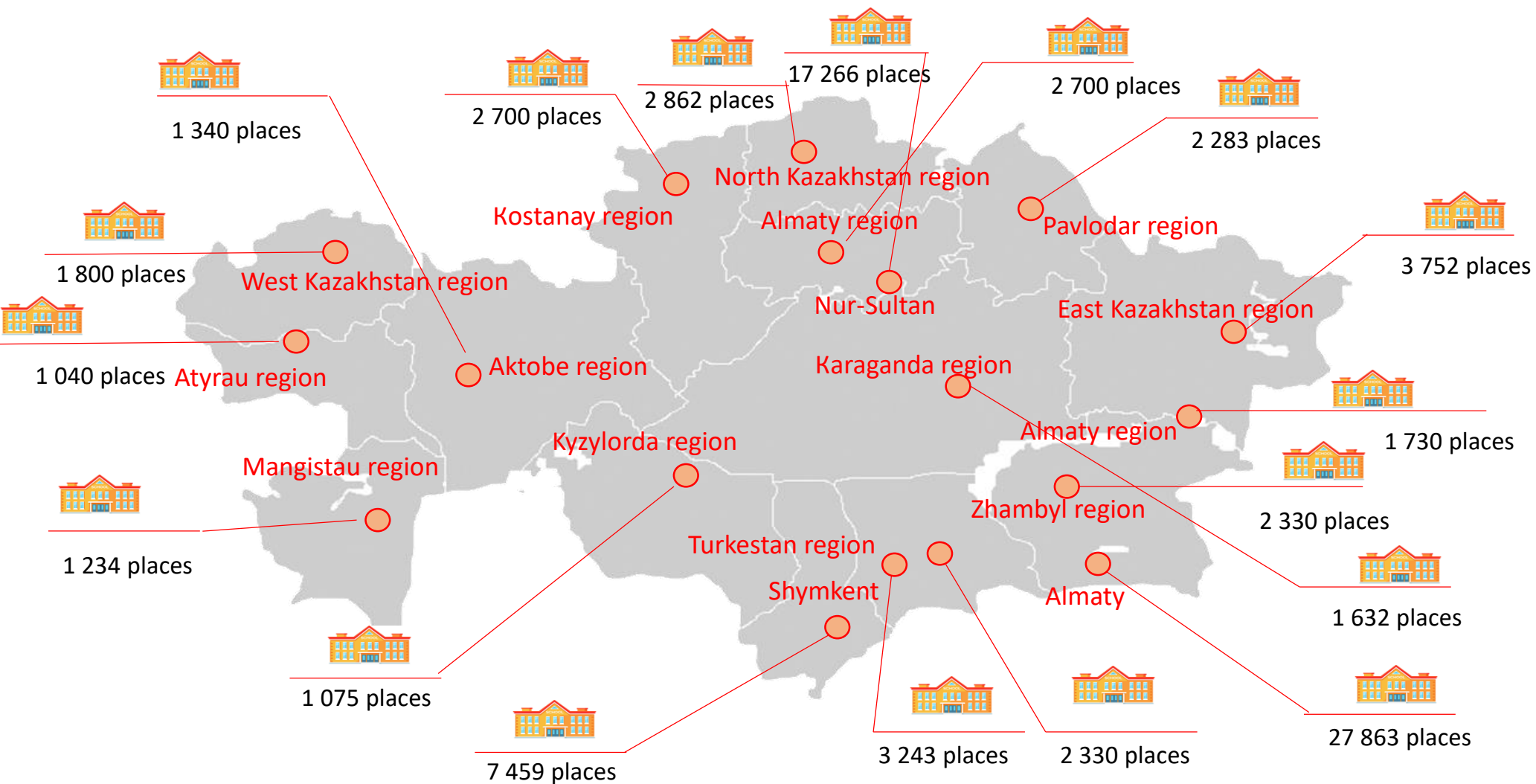
- new places are put into operation within 24 months from the date of signing the contract
- it is prohibited to change the intended purpose for a period of at least 20 years
- the agreement is valid after its registration with the authorized bodies for budget execution and is valid until the obligations under it are fully fulfilled

**"Financial Center" JSC** - acts as the operator of this program, is a subordinate organization of the Ministry of education and science of the Republic of Kazakhstan. The operator's functions include organizing the procedure for concluding state contracts for providing students, undergraduates and doctoral students with places in dormitories, providing consulting support to interested parties, providing comprehensive information support, monitoring student accommodation in dormitories, monitoring the commissioning of new places, and interacting with interested organizations on the introduction of new places.

## 3 Procedure for placing government orders

- Placement of state orders is carried out by the supplier of services to ensure the introduction of new places in dormitories
- The supplier submits an application to the operator (**Financial center JSC**) in paper or digital form
- The operator checks for completeness and accuracy within 15 calendar days
- The authorized body in the field of education (**Ministry of education and science of the Republic of Kazakhstan**) after receiving materials from the operator carries out the procedure for registration of a preliminary contract
- The potential supplier provides the operator with copies of documents confirming the commissioning of new facilities
- A state order agreement is concluded to provide students, undergraduates and doctoral students with places in dormitories
- The state order is paid

## DEMAND BY REGIONS – more than 75 thousand places in dormitories





## Student dormitories

Construction of dormitory with 200  
beds



Construction of two dormitories  
with 800 beds



0 tenge from the local budget

Successful  
experience:  
Kyzylorda city

## Credit conditions

**Amount:** up to 1 billion tenge

**Period:** up to 7 years

**Currency:** tenge

**Rate:** 15 % (Subsidies from the Damu Fund 7%)

**Deposit:**

50% guarantee from Damu Fund

Personal property

The object of PPP

**Profit:**

Project for providing students with places in dormitories (300 thousand tenge per year for one student (8 years))